Interim Report as at 31 March 2012

HSBC Trinkaus

Financial Highlights of the HSBC Trinkaus & Burkhardt Group

	01.01. to 31.03.2012	01.01. to 31.03.2011	Change in %
Income statement in €m			
Operating revenues	185.9	176.6	5.3
Net loan impairment and other credit risk provisions	0.9	–5.5	> 100.0
Administrative expenses	127.0	122.1	4.0
Operating profit	58.0	60.0	–3.3
Pre-tax profit	61.2	63.1	–3.0
Tax expenses	19.9	21.0	–5.2
Net profit for the year	41.3	42.1	–1.9
Ratios			
Cost efficiency ratio of usual business activity in %	67.2	68.0	–
Return on equity before tax in % (projected for the full year)	19.1	21.1	–
Net fee income in % of operating revenues	51.0	54.1	–
No. of employees at the reporting date	2,568	2,504	2.6
Share information			
Average number of shares in circulation in million	28.1	28.1	0.0
Earnings per share in €	1.47	1.50	–2.0
Share price at the reporting date in €	88.00	94.00	–6.4
Market capitalisation at the reporting date in €m	2,473	2,641	–6.4

	31.03.2012	31.12.2011	Change in %
Balance sheet figures in €m			
Total assets	22,203	20,634	7.6
Shareholders' equity	1,369	1,311	4.4
Regulatory ratios			
Tier 1 in €m	1,095	1,100	–0.5
Regulatory capital in €m	1,424	1,439	–1.0
Risk-weighted assets in €m	9,538	9,600	–0.6
Tier 1 ratio in %	11.5	11.5	–
Regulatory capital ratio in %	14.9	15.0	–

Letter from the Management Board

Ladies and Gentlemen,

HSBC Trinkaus has again generated a favourable quarterly result. This is quite a remarkable performance against the backdrop of the continuing European sovereign debt crisis. The still surprisingly robust German economy proved to be a pillar of support for our business in the first quarter of 2012.

Overall the financial sector continues to battle with low revenue growth, significant cost increases and tougher regulatory requirements. The European Central Bank (ECB) has been able to secure the supply of liquidity by flooding the markets. However, it remains to be seen whether the market participants concerned will use the time this has gained to develop sustainable business models. It is still uncertain how the slightly improved euro sovereign debt crisis will develop after the second ECB tender and the restructuring of the Greek sovereign debt.

Against this backdrop, HSBC Trinkaus generated a quarterly result almost on the prior-year level. Operating revenues increased by €9.3 million to €185.9 million. Due above all to the extraordinary income resulting from the major net reversal of net loan impairment and other credit risk provisions the previous year, operating profit was slightly below the prior-year level (€60.0 million) in the first three months of 2012 at €58.0 million. There was a moderate decline in net profit of 1.9% from €42.1 million to €41.3 million.

This performance is attributable essentially to our stable and still successful business model. With its clear orientation towards our clients in the Private Banking, Corporate Banking and Institutional Clients segments and supported by risk-sensitive trading, it has continued to prove itself. The HSBC Group provides significant support to our client-oriented strategy.

Profitability

The earnings components are as follows:

- Net interest income improved significantly by 30.9% to €43.6 million (Q1 2011: €33.3 million). This performance was firstly the result of increased lending volumes while the trend towards lower margins continued. Secondly, interest income from financial assets also rose strongly as the bank has steadily been expanding financial assets as surplus liquidity for years.

- Net loan impairment and other credit risk provisions recorded a net charge of €0.9 million (Q1 2011: net release of €5.5 million). The charge is attributable exclusively to the addition to collectively assessed impairments. No additions to individually assessed impairments were required. Our conservative orientation is unchanged in relation to the assessment of default risks.

- Net fee income at €94.8 million is only slightly lower than the prior-year result of €95.5 million. At €59.7 million revenues in the securities business, the key factor of success in our fee-based business, were 4.6% lower than the prior-year figure of €62.6 million. This reflects the clear restraint shown by the bank's clients with respect to capital market activities. Net fee income from the foreign exchange and derivatives business increased from €19.9 million to €20.2 million. The extremely good performance was one factor of success in the first quarter of 2012. We continue to benefit here from the very close cooperation with various entities of the HSBC Group, the risks of these transactions largely being entered in their own books. Revenues in the foreign as well as issuing and structuring business were increased significantly while a substantial decline was recorded in Investment Banking.

- Net trading income grew by 1.4% to €44.5 million (Q1 2011: €43.9 million) mainly due to the fixed income and interest rate derivatives business. While credit spread adjustments led to moderate valuation losses on bonds, money market trading gave an extraordinarily strong performance owing to our outstanding liquidity position. In trading with equities and equity-index-linked derivatives, the uncertainty prevailing on the capital markets led to a significant decline in demand from our clients for both trading-oriented retail products and bonus and discount certificates. The result in foreign exchange trading improved further. We reported slight valuation losses on derivatives in the bank book for hedging strategic interest rate positions.

- Net other income includes above all rental income from our real estate development project in Australia, which is set against corresponding interest expense. At €3.7 million, net other income was almost on the prior-year level of €3.5 million.

- Administrative expenses were 4.0% higher at €127.0 million (Q1 2011: €122.1 million). This increase is due essentially to our growth strategy which led above all to a higher average headcount and therefore higher personnel expenses. Nevertheless, we were able to reduce the cost efficiency ratio from 68.0% in the comparable period to 67.2% as we generated more than proportionate revenue growth. This means that we remain within the adequate range for our business model of 65% to 70%. Measures to further limit the increase in administrative costs have been worked out and will be implemented from the second quarter.

- Income from financial assets was down on the prior-year level to €2.5 million (Q1 2011: €3.4 million). This essentially involved capital gains and write-ups on previously impaired bonds.

The asset situation

Total assets were up 7.6% compared to the end of 2011 to €22.2 billion. Despite a slight decline, customer deposits account for over 50% of total assets and thus still represent the bank's main source of financing. We regard this as a clear commitment on the part of our clients to our solid business model which is reflected not least in our sustained earnings power and our "AA" rating just confirmed by Fitch in April 2012. At €1,369 million, shareholders' equity was up on the level at the end of 2011 (€1,311 million). The valuation reserve for financial instruments was increased by €26.4 million to €114.9 million in the first quarter of 2012. Actuarial losses resulting from the valuation of pension provisions of €6.9 million were recorded in the same period. This is attributable to the reduction of the technical interest rate used for the valuation of our pension commitments while income from the plan assets exceeded the target.

The financial position

The bank's financial position is still characterised by excellent liquidity. With an average of 1.8 for the end-of-month positions, the minimum regulatory requirements were exceeded by far. The 4.8% decline in customer accounts from €12.4 billion at the end of 2011 to €11.8 billion is reporting-date-related. We continue to invest a substantial part of our surplus liquidity in eligible bonds issued by German federal states. HSBC Trinkaus' capital ratio stands at 14.9% after 15.0% at the end of the year. Its tier 1 ratio is 11.5% and contains no hybrid capital components. In addition to the fact that we already fulfil the higher capitalisation requirements which will apply in the years ahead according to the new Basel III provisions, there is adequate scope for further business expansion.

Outlook

Thanks to our strong capital base we are in the position to gain market shares in all business segments in 2012 as well. The focus is on significant expansion in the business with internationally-operating companies. The integration into the globally operating HSBC Group puts us in a unique position not only in the upper MME corporate banking business and with international corporations. The global expertise of local specialists throughout the HSBC Group and their skills in product development are available to our clients in the Institutional Clients business. For example, HSBC Trinkaus has direct access to the Group's global trading books which also enable large-volume transactions and risk assumption. In the Private Banking segment, our business model, which is based on sustainability and trust, has proven itself in particular in view of the highly volatile market environment. In future, we will work even closer with the HSBC Group especially in the area of investment solutions.

The key to success remains our clear client orientation. Business with our clients does not focus on short-term profits, but is based on a sustainable relationship with our business partners. This is accompanied by our excellent and conservative risk management – as underlined once again by the crisis. Our principle of growing with our clients, not with our risks, will remain the foundation of our success.

Düsseldorf, May 2012

The Management Board

Andreas Schmitz   Paul Hagen

Dr. Olaf Huth   Manfred Krause   Carola Gräfin v. Schmettow

Consolidated Balance Sheet

Assets in €m	Note	31.03.2012	31.12.2011	Change in %
Cash reserve		60.1	672.2	–91.1
Loans and advances to banks	(8)	3,625.9	1,857.6	95.2
Loans and advances to customers	(9)	4,063.7	3,717.2	9.3
Net loan impairment provision	(10)	–27.3	–27.1	0.7
Trading assets	(11)	9,104.8	9,852.3	–7.6
Financial assets	(12)	4,962.2	4,164.7	19.1
Interests in associates		64.6	65.2	–0.9
Property, plant and equipment		81.5	79.3	2.8
Intangible assets		29.1	31.3	–7.0
Taxation recoverable		7.3	8.6	–15.1
current		7.3	8.6	–15.1
deferred		0.0	0.0	–
Other assets		230.6	213.1	8.2
Total Assets		22,202.5	20,634.4	7.6

Liabilities in €m	Note	31.03.2012	31.12.2011	Change in %
Deposits by banks	(13)	2,893.0	749.6	>100
Customer accounts	(14)	11,815.8	12,413.3	–4.8
Certificated liabilities		10.0	10.0	0.0
Trading liabilities	(15)	5,418.2	5,426.0	–0.1
Provisions		107.4	103.4	3.9
Taxation		51.1	55.6	–8.1
current		45.6	48.3	–5.6
deferred		5.5	7.3	–24.7
Other liabilities		184.6	212.5	–13.1
Subordinated capital		353.4	353.4	0.0
Shareholders' equity		1,368.9	1,310.5	4.5
Share capital		75.4	75.4	0.0
Capital reserve		357.5	360.0	–0.7
Retained earnings		695.8	695.8	0.0
Valuation reserve for financial instruments		114.9	88.5	29.8
Valuation reserve for actuarial profits and losses		–45.4	–38.5	17.9
Valuation reserve from currency conversion		–2.7	–2.8	–3.6
Net profit including profit brought forward		173.4	132.1	31.3
Minority interests		0.1	0.1	0.0
Total equity and liabilities		**22,202.5**	**20,634.4**	**7.6**

Consolidated Income Statement

in €m	Note	01.01. to 31.03.2012	01.01. to 31.03.2011	Change in %
Interest income		65.4	51.5	27.0
Interest expense		21.8	18.2	19.8
Net interest income	(1)	43.6	33.3	30.9
Net loan impairment and other credit risk provisions	(2)	0.9	–5.5	> 100.0
Share of profit in associates		0.0	0.1	–100.0
Fee income		172.4	174.2	–1.0
Fee expenses		77.6	78.7	–1.4
Net fee income	(3)	94.8	95.5	–0.7
Net trading income	(4)	44.5	43.9	1.4
Administrative expenses	(5)	127.0	122.1	4.0
Income from financial assets		2.5	3.4	–26.5
Net other income/ expenses	(6)	3.7	3.5	5.7
Pre-tax profit		**61.2**	**63.1**	**–3.0**
Tax expenses		19.9	21.0	–5.2
Net profit for the year		**41.3**	**42.1**	**–1.9**
Profit/loss attributable to minority shareholders		0.0	0.0	0.0
Profit/loss attributable to HSBC Trinkaus shareholders		41.3	42.1	–1.9

Earnings per share

in €	01.01. to 31.03.2012	01.01. to 31.03.2011	Change in %
Undiluted earnings per share	1.47	1.50	–2.0
Diluted earnings per share	1.47	1.50	–2.0

Comprehensive income for the period

in €m	01.01. to 31.03.2012	01.01. to 31.03.2011
Net profit for the year	41.3	42.1
Gains/losses not recognised in the income statement	19.6	–24.2
of which from financial instruments	26.4	–21.9
of which from actuarial results	–6.9	–2.3
of which from currency conversion	0.1	–0.0
Total	**60.9**	**18.0**
Attributable to:		
Minority interests	0.0	0.0
HSBC Trinkaus shareholders	60.9	18.0

Consolidated Statement of Changes in Equity

in €m	2012	2011
Consolidated shareholders' equity as at 01.01.	**1,310.5**	**1,289.7**
Distribution	0.0	0.0
Capital increase	0.0	0.0
Net profit	41.3	42.1
Gains/losses not recognised in the income statement	19.6	–24.2
Share-based compensation settled in the form of equity instruments	20.1	–0.4
Transfer of shares to employees in connection with share-based remuneration schemes	–22.6	–6.5
Consolidated shareholders' equity as at 31.03.	**1,368.9**	**1,300.7**

Consolidated Cash Flow Statement

in €m	2012	2011
Cash and cash equivalents as at 01.01.	**672.2**	**336.1**
Cash flow from operating activities	–590.1	–139.8
Cash flow from investing activities	–22.0	–35.3
Cash flow from financing activities	0.0	–25.0
Cash and cash equivalents as at 31.03.	**60.1**	**136.0**

The cash flow statement calculated according to the indirect method shows the position and movements in cash and cash equivalents of the HSBC Trinkaus Group. Reported cash and cash equivalents correspond to the balance sheet item "Cash reserve", which comprises cash in hand plus balances at central banks.

Notes to the consolidated income statement and the consolidated balance sheet

This Interim Report for the HSBC Trinkaus Group as at 31 March 2012 was drawn up in accordance with International Financial Reporting Standards (IFRS) as they are to be applied in the European Union. The report takes particular account of the requirements of IAS 34 relating to interim financial reporting. Furthermore, the report takes into consideration the requirement of an interim management statement pursuant to Section 37x German Securities Trading Act (WpHG). No review of the Interim Report was carried out by external auditors.

When drawing up this Interim Report including the comparable figures for the prior-year periods we applied the same accounting and valuation methods as in the 2011 consolidated financial statements.

All changes to standards and interpretations, the early application of which we have dispensed with, are of no or only minor significance for our consolidated financial statements.

For greater clarity all amounts are reported in millions of euros and commercially rounded. This may result in very small discrepancies in the calculation of totals and percentages in these consolidated financial statments.

1 Net interest income

n €m	01.01. to 31.03.2012	01.01. to 31.03.2011
Interest income	**65.4**	**51.5**
from loans and advances to banks	7.8	4.2
Money market transactions	7.0	3.3
Other interest-bearing receivables	0.8	1.0
from loans and advances to customers	24.8	19.8
Money market transactions	3.8	3.6
Other interest-bearing receivables	21.0	16.2
from financial assets	32.8	27.5
Interest income	32.1	27.2
Dividend income	0.0	0.1
Income from subsidiaries	0.7	0.2
Interest expense	**21.8**	**18.2**
from deposits by banks	3.9	3.7
Money market transactions	1.9	2.0
Other interest-bearing deposits	2.0	1.8
from customer accounts	13.3	10.0
Money market transactions	6.3	3.1
Other interest-bearing deposits	7.0	7.0
From securitised liabilities	0.1	0.1
From subordinated capital	4.5	4.4
Net interest income	**43.6**	**33.3**

2 Net loan impairment and other credit risk provisions

in €m	01.01. to 31.03.2012	01.01. to 31.03.2011
Additions	1.2	0.0
Reversals	0.0	5.5
Direct write-offs	0.1	0.0
Recoveries on loans and advances previously written off	0.4	0.0
Total	**0.9**	**–5.5**

3 Net fee income

in €m	01.01. to 31.03.2012	01.01. to 31.03.2011
Securities transactions	59.7	62.6
Foreign exchange transactions and derivatives	20.2	19.9
Foreign business	4.1	3.4
Issuing and structuring business	3.9	1.9
Lending	3.1	2.9
Payments	1.7	1.6
Alternative Investments	0.3	0.4
Investment Banking	0.2	0.7
Other fee-based business	1.6	2.1
Total	**94.8**	**95.5**

4 Net trading income

in €m	01.01. to 31.03.2012	01.01. to 31.03.2011
Equity- and equity-index-linked derivatives	11.5	18.7
Bonds and interest rate derivatives	29.9	23.3
Foreign exchange	2.6	2.2
Derivatives held in the banking book	0.5	–0.4
Total	**44.5**	**43.9**

Interest and dividend income attributable to trading activities – shown as the difference between the interest and dividend revenues of trading positions and the corresponding refinancing interest – is included in net trading income.

5 Administrative expenses

in €m	01.01. to 31.03.2012	01.01. to 31.03.2011
Staff expenses	80.4	75.3
Wages and salaries	69.6	65.3
Social security costs	7.1	7.1
Expenses for retirement pensions and other employee benefits	3.7	2.9
Other administrative expenses	40.3	40.9
Depreciation of property, plant and equipment and of intangible assets	6.3	6.0
Total	127.0	122.1

6 Net other income / expenses

in €m	01.01. to 31.03.2012	01.01. to 31.03.2011
Other operating income	10.0	4.2
Other operating expenses	6.5	0.8
Other operating income / expenses	**3.5**	**3.4**
Other income	0.2	0.1
Other expenses	0.0	0.1
Other net income	**0.2**	**0.1**
Net other income / expenses	**3.7**	**3.5**

7 Segment reporting

in €m	Private Banking	Corporate Banking	Institut. Clients	Global Markets	Central Divisions/ Consolidation	Total
Net interest income						
31.03.2012	2.6	15.8	1.1	1.7	22.4	43.6
31.03.2011	2.2	13.5	0.7	–0.2	17.1	33.3
Net loan impairment and other credit risk provisions						
31.03.2012	0.2	2.6	0.4	0.1	–2.4	0.9
31.03.2011	0.2	2.3	0.2	0.1	–8.3	–5.5
Share of profit in associates						
31.03.2012	0.0	0.0	0.0	0.0	0.0	0.0
31.03.2011	0.0	0.0	0.0	0.0	0.1	0.1
Net fee income						
31.03.2012	22.8	25.3	46.2	–0.7	1.2	94.8
31.03.2011	25.2	26.2	41.7	0.3	2.1	95.5
Operating trading income						
31.03.2012	0.0	0.0	3.4	27.3	13.3	44.0
31.03.2011	0.0	–0.1	1.3	27.5	15.6	44.3
Administrative expenses						
31.03.2012	18.9	23.8	31.7	13.7	38.9	127.0
31.03.2011	19.2	23.1	28.4	14.0	37.4	122.1
of which depreciation and amortisation						
31.03.2012	0.4	0.4	0.2	0.3	5.0	6.3
31.03.2011	0.5	0.4	0.2	0.2	4.7	6.0
Other operating income/expenses						
31.03.2012	–0.2	0.0	0.0	0.0	3.7	3.5
31.03.2011	0.0	0.0	0.0	0.0	3.4	3.4
Operating profit						
31.03.2012	**6.1**	**14.7**	**18.6**	**14.5**	**4.1**	**58.0**
31.03.2011	**8.0**	**14.2**	**15.1**	**13.5**	**9.1**	**59.9**
Income from financial assets						
31.03.2012	0.0	0.0	0.0	0.0	2.5	2.5
31.03.2011	0.0	0.0	0.0	0.0	3.4	3.4
Income from derivatives in the bank book						
31.03.2012	0.0	0.0	0.0	0.0	0.5	0.5
31.03.2011	0.0	0.0	0.0	0.0	–0.4	–0.4
Other net income						
31.03.2012	0.0	0.0	0.0	0.0	0.2	0.2
31.03.2011	0.0	0.0	0.0	0.0	0.1	0.1
Pre-tax profit						
31.03.2012	**6.1**	**14.7**	**18.6**	**14.5**	**7.3**	**61.2**
31.03.2011	**8.0**	**14.2**	**15.1**	**13.5**	**12.2**	**63.0**
Taxation						
31.03.2012	1.9	4.7	5.8	4.6	2.9	19.9
31.03.2011	2.5	4.5	4.8	4.2	5.0	21.0
Net profit for the year						
31.03.2012	**4.2**	**10.0**	**12.8**	**9.9**	**4.4**	**41.3**
31.03.2011	**5.5**	**9.7**	**10.3**	**9.3**	**7.2**	**42.0**

The ECB flooding the market twice with cheap long-term liquidity led to the temporary easing of the debt crisis in Southern Europe, coupled with significant price increases on the stock markets up until mid-March despite the restraint exercised by many market participants. The rekindling of the debate over debt sustainability in Spain and Italy then unnerved the markets again and led to notable declines on the stock markets. Against this backdrop the result for the first quarter of 2012, which is almost on the level of the strong prior-year quarter, shows the balanced and stable nature of the bank's client-oriented business model. The Institutional Clients, Corporate Banking and Global Markets segments improved their performance compared to the same period of the previous year while the Private Banking segment was not able to repeat its good prior-year result due to restrained of restrained business activity on the part of many clients.

The greatest increase in earnings was recorded in the Institutional Clients segment as a result of stronger revenues with respect to fixed-income products as well as client-driven net trading income, overcompensating for the decline in revenues in the Asset Management business. The Corporate Banking segment benefited in particular from improved revenues in the foreign business and higher interest income in the lending business as a result of increased volumes, which more than made up for the decline in revenues with respect to interest-based Treasury products. The tentative attitude of many private investors as a result of the continuing uncertainty over the future economic trend meant that the Private Banking segment was not able to repeat the level of fee income recorded in the securities transaction business in the prior-year quarter. Favourable growth in revenues in our interest rate and foreign exchange trading activities was able to more than compensate for the decline in revenues in equities and equity derivatives trading.

Owing to the increase in the workforce compared to the first quarter of 2011 to 2,568 employees as part of the bank's growth strategy and the further growth in regulatory costs, the measures to limit the increase in costs in all segments of the bank introduced last year and continued this year have had just a dampening effect on the rise in administrative expenses. The aim is to limit cost growth even more significantly.

8 Loans and advances to banks

in €m	31.03.2012	31.12.2011
Current accounts	662.1	409.9
Money market transactions	2,802.0	1,230.8
of which overnight money	298.7	76.6
of which term deposits	2,503.3	1,154.2
Other loans and advances	161.8	216.9
Total	**3,625.9**	**1,857.6**
of which to domestic banks	2,368.2	375.7
of which to foreign banks	1,257.7	1,481.9

9 Loans and advances to customers

in €m	31.03.2012	31.12.2011
Current accounts	1,363.7	1,153.6
Money market transactions	700.3	742.1
of which overnight money	135.8	124.1
of which term deposits	564.5	618.0
Loan accounts	1,974.7	1,803.0
Other loans and advances	25.0	18.5
Total	**4,063.7**	**3,717.2**
of which domestic customers	2,627.8	2,331.2
of which foreign customers	1,435.9	1,386.0

10 Net loan impairment and other credit risk provisions

in €m	31.03.2012	31.12.2011
Net loan impairment provision	27.3	27.1
Provisions for credit risks	4.2	3.2
Net loan impairment and other credit risk provisions	31.5	30.3

	Impairments/provisions					
	Individually assessed		Collectively assessed		Total	
in €m	2012	2011	2012	2011	2012	2011
As at 01.01.	16.6	40.3	13.7	14.5	30.3	54.8
Reversals	0.0	5.5	0.0	0.0	0.0	5.5
Utilisation	0.0	7.7	0.0	0.0	0.0	7.7
Additions	0.0	0.0	1.2	0.0	1.2	0.0
Currency translation/ transfers	0.0	0.0	0.0	0.0	0.0	0.0
As at 31.03.	16.6	27.1	14.9	14.5	31.5	41.6

11 Trading assets

in €m	31.03.2012	31.12.2011
Bonds and other fixed-income securities	3,906.4	4,312.0
Equities and other non-fixed-income securities	638.2	561.1
Tradable receivables	1,687.7	1,892.5
Positive market value of derivatives	1,975.7	2,321.0
Reverse repos	372.5	118.5
Securities lending	7.5	0.9
Security in the derivatives business	516.8	644.2
Derivatives in hedging relationships	0.0	0.0
Total	9,104.8	9,852.3

12 Financial assets

in €m	31.03.2012	31.12.2011
Bonds and other fixed-income securities and interest rate derivatives	4,542.4	3,768.9
Equities	30.2	40.2
Investment certificates	77.0	73.9
Promissory note loans	208.4	180.9
Investments	104.2	100.8
Total	4,962.2	4,164.7

13 Deposits by banks

in €m	31.03.2012	31.12.2011
Current accounts	953.4	598.8
Money market transactions	1,853.8	66.2
of which overnight money	15.5	0.0
of which term deposits	1,838.3	66.2
Other liabilities	85.8	84.6
Total	**2,893.0**	**749.6**
of which domestic banks	240.1	200.3
of which foreign banks	2,652.9	549.3

14 Customer accounts

in €m	31.03.2012	31.12.2011
Current accounts	7,132.0	7,671.7
Money market transactions	4,319.6	4,385.1
of which overnight money	1,197.0	817.2
of which term deposits	3,122.6	3,567.9
Savings deposits	39.8	40.8
Other liabilities	324.4	315.7
Total	**11,815.8**	**12,413.3**
of which domestic customers	8,407.1	9,152.3
of which foreign customers	3,408.7	3,261.0

15 Trading liabilities

in €m	31.03.2012	31.12.2011
Negative market value of derivatives	2,514.8	2,769.4
Promissory note loans, bonds, certificates and warrants	2,685.5	2,425.1
Delivery obligations arising from securities sold short	60.4	73.1
Repos	0.0	0.0
Securities lending	6.8	9.0
Security in the derivatives business	105.4	107.4
Derivatives in hedging relationships	42.8	39.5
Derivatives held in the banking book	2.5	2.5
Total	**5,418.2**	**5,426.0**

Other Notes

16 Derivatives business

in €m	Nominal amounts with a residual maturity of Up to 1 year	1 – 5 years	Over 5 years	Total	Positive market values
Interest rate transactions					
31.03.2012	6,949	12,900	10,348	30,197	1,230
31.12.2011	7,610	14,372	10,844	32,826	1,266
Foreign exchange transactions					
31.03.2012	30,971	1,774	515	33,260	346
31.12.2011	30,304	1,744	487	32,535	652
Equity and index transactions					
31.03.2012	4,927	1,913	840	7,680	60
31.12.2011	4,205	1,638	944	6,787	34
Total					
31.03.2012	**42,847**	**16,587**	**11,703**	**71,137**	**1,636**
31.12.2011	**42,119**	**17,754**	**12,275**	**72,148**	**1,952**

Deals with both positive and negative market values are taken into account in the determination of the nominal amounts. The stated positive market values of deals represent the replacement values that may arise in the event of the default of all OTC counterparties, regardless of their individual credit rating. The values consist of current interest, foreign currency and equity / index-related deals which include a settlement risk as well as corresponding market price risks. No account is taken of netting agreements. As there is no counterparty risk on exchange-traded products and short positions, the market values of these products are not shown. Owing to the intensive cooperation in the Global Markets segment, we focus in the derivatives business on transactions with other HSBC units.

17 Market Risk

in €m	31.03.2012	31.12.2011
Interest rate risk	1.0	1.0
Credit spread risk	3.0	2.7
Currency risk	0.2	0.1
Equity/index risk	0.8	0.8
Commodities risk	0.0	0.0
Overall market risk potential	**2.9**	**2.7**

The market risk potential is calculated for all market risks categories using a standardised internal model. To measure market risks in our trading book under normal market conditions, we have been using for many years a value-at-risk approach. We understand value-at-risk to be the potential loss which will, with 99% probability, not be exceeded within one trading day, assuming unaltered trading positions, in the event of an unfavourable market trend. By taking correlations into consideration, the overall market risk potential is lower than the sum of the risks per risk category.

18 Contingent liabilities and other obligations

in €m	31.03.2012	31.12.2011
Contingent liabilities on guarantees and indemnity agreements	1,587.8	1,746.1
Irrevocable loan commitments	5,268.6	5,156.4
Total	**6,856.4**	**6,902.5**

Key Dates

5 June 2012
Annual General Meeting

1 August 2012
Press conference
Interim Report as at 30 June 2012

14 November 2012
Interim Report as at 30 September 2012

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